

# Northern Air Cargo, passenger carriers vie for Bush service

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Fresh milk, undamaged produce, timely mail, and customer satisfaction are some of the major assets Northern Air Cargo has brought to the villages they serve since they became an all cargo carrier three years ago.

Thousands of signatures from village residents who endorse Northern Air Cargo confirm this, but despite its popularity with the people it serves, NAC faces an uncertain future.

Mark Air and over 20 other small passenger airlines have banded together against NAC in what is being characterized as a "survival of the fittest" struggle within the glut of rural Alaska's air carriers.

Supported by Sen. Ted Stevens, the other carriers say NAC is taking business away from them. NAC says that it is the dawn of a new era in rural Alaska and people do not want the old ways back.

When NAC started their cargo business to rural Alaska three years ago, they began direct mail flights from Anchorage to some villages in northern Alaska. Nearly everyone in the villages enjoyed faster service at lower costs.

For mail to be shipped out to rural Alaska, air carriers receive subsidies from the United States Post Office. Without the subsidy the cost of delivering mail would be astronomical. Most airlines survive by supplementing their revenues with the postal subsidy, or others.

But increasingly, carriers find that with passenger revenues declining, they depend on the postal subsidy for more of their revenues. Since NAC delivers only mail and freight, much of the available money for postal subsidy goes to them, the passenger airlines complain.

In years past, when Wien Air serviced Alaska, most mail was flown to hubs around Alaska, then picked up by smaller planes and delivered to the encircled villages. This is called the "hub-spokes" system and most airlines still favor this method because

the postal subsidy would be divided more evenly among the airlines. Small bush planes flying from the hubs to the villages would still have a viable business under this system, say the passenger airlines.

NAC now flies direct to five different villages. They say they have no plans to expand, but if a village builds a runway long enough for their cargo planes to land, they will fly directly there.

It is the villagers who will lose out in the long run, say the passenger airlines. Without the postal subsidy, passenger airlines will be forced to raise their prices and severely limit their flights to the villages NAC serves. Some airlines may even go out of business.

Sen. Ted Stevens, quoted in the *Anchorage Daily News* said, "we'll rue the day that happens because there is no alternative. You can't take a bus..."

"We know better than that," says NAC Vice President Don Brugman. Brugman stresses the high number of planes in the Bush now. Some villages with only 300 people get as many as five flights daily. When given a choice, many villagers say they would rather have their passenger flights reduced and still maintain the NAC deliveries. If the passenger rates go up, than villagers will revert back to chartering to the hubs. There will always be some passenger airlines servicing the village, says Brugman.

The airlines want the old hub-spokes system back again, says Brugman, but the villages who are served directly from Anchorage do not. In the past, produce arrived damaged, rotten, and at a much higher cost. Now children in Holy Cross can have fresh milk with their school lunches.

"Rural air transportation is growing up," says Brugman. By not carrying passengers, and focusing on cargo alone, NAC can deliver mail, produce and other freight in a more timely fashion.

NAC also boasts a new DC-6 ST Swingtall that can deliver oversized cargo. In the past, many villages had to wait for the barge to deliver their

trucks and other heavy cargo.

And, by delivering mail directly to the villages, NAC saves the postal service nearly half of what it costs other carriers to ship mail via hubs and passenger airlines. Fresh produce is cheaper in villages also.

"Prior to deregulation, St. Paul was dependent on summertime shipments of goods by barge and the expensive, inconsistent cargo service provided by passenger planes. Since competition has been allowed, the cost of shipment of goods has decreased radically and the reliability of service has increased," wrote Anne F. Shane to Sen. Stevens of her concern for the future of mail deliveries to St. Paul.

"To restrict mail transport to passenger carriers would be devastating to our community," she concluded.

Dozens of letters from concerned store managers, school districts, companies who ship their mail out to villages, businesses who depend on large cargo transport, and thousands of signatures provide similar testimonial.

Passenger airlines insist they can deliver the same service. As president of Frontier Airlines and spokesman for over twenty other airlines in Alaska, John Hajdukovich says that the use of

walk-in freezers and walk-in coolers result in very little spoilage.

"NAC has a good game going by by-passing the hub," he said in a telephone interview. Hajdukovich says 44 per cent of his business depends on mail revenue, and that "NAC should not be entitled to haul any mail unless they carry passengers."

What will happen to NAC? Will carriers go back to the old hub-spoke system? Only time will tell, says a USPS representative.

"I don't think anything will change," says Michael J. VanDamm, Postal Service Assistant and general counsel. According to VanDamm, things will continue under the present system unless the Department of Transportation changes the rules or Congress changes the law.

"I don't see that happening in the immediate future."

Congressman Don Young, when reached by the *Tundra Times*, said the dispute is one he preferred to stay out of.

"There has been a proposal to rearrange the mail schedule of frequency of flights," said Young, who adds that the dispute will come before a postal commission and will be resolved "based upon the best service to the community."



Northern Air Cargo's new Swingtall DC-6 is one of only two such planes in the world.  
photo by Alissa Crandall